

forty per cent., part of which might be in foreign securities. Excess issues subject to tax continued to be permitted, substantially as provided by the law of 1893. This law, however, imposing a charge of two-thirds of the rate of discount on the amount of the circulation in excess of the legal limit, was modified by a law of December 31, 1907, so as to afford a little greater elasticity to the movement of the circulation.<sup>1</sup> The time seemed at length to have come when the danger was passed that the circulation would be unduly expanded and when the legitimate business demands of the country had more than grown up to the limits imposed by law. The bank was subjected to severe pressure during the crisis in America. Discounts rose from 398,290,560 liras on July 31, 1907, to 494,988,781 liras on November 30th, and advances rose in the same interval from 40,002,533 liras to 75,257,128 liras. The discount rate was advanced to five and a half per cent.—the highest rate touched since 1894. The demand for accommodation, while it swelled note issues from 1,265,-692,550 liras on June 30th to 1,412,418,450 liras on November 30th, did not at any time cause a reduction of reserves, which increased during the same interval from 932,014,944 liras to 1,099,995,262 liras (\$212,300,000). Only during five weeks of this period was circulation issued under the special tax and the maximum subject to tax was only 48,619,046 liras (\$9,480,000).

The adequacy of the reserve was no longer in question at the Bank of Italy in 1907. The gold held at the close of that year was 896,307,000 liras (\$173,000,000) and the silver 122,475,000 liras (\$23,640,000). Between the maximum and minimum circulation there was a difference of 304,000,000 liras, or 21.4 per cent, of the maximum.<sup>2</sup>

The Bank of Italy, like the Bank of France, rediscounts much paper for small amounts for the benefit of retail tradesmen. The classification of the paper discounted during 1907, which reached a total value of 2,261,968,257 liras (\$436,500,000)<sup>3</sup> showed that 232,387 pieces were for amounts

<sup>1</sup> *Adunanza Generale Ordinaria degli Azionisti*, 1908, 9.

<sup>3</sup> *Ibidem*, 35.